

LOUISIANA RECOVERY AUTHORITY

Preliminary Recommendation for Amendment of the Action Plan for Allocation of CDBG Funds for Infrastructure Repairs

April 19, 2006

Agenda Item # VII(b)i.: Request preliminary recommendation of an amendment to the Action Plan for allocation of up to a total of \$950 million of the first Community Development Block Grant (CDBG) supplemental appropriation (\$6.2B) to repairs to infrastructure damaged by Hurricanes Katrina and Rita.

EXECUTIVE SUMMARY

Hurricanes Katrina and Rita destroyed almost \$10B of public infrastructure in south Louisiana. While FEMA's Public Assistance (PA) program will fund the majority of the repairs to this infrastructure, there is a non-federal match required for most of the funding. (The LRA Board has already allocated \$250 million of CDBG funds for meeting the FEMA PA match requirements for state buildings and local governments.) There are also many expenses necessary for returning this infrastructure to use that are ineligible for FEMA's PA program funding, such as exposed existing damage, meeting new code requirements, and underinsured storm damages. The hurricanes not only destroyed valuable infrastructure necessary for south Louisiana communities to begin to recover, but they also devastated the financial positions and revenue streams of the state and many local governments, leaving many local governments unable to pay the non-federal match on FEMA PA program funds.

Recognizing the importance of this infrastructure to Louisiana's recovery and the inability of many local governments to provide their cost share for PA grants, it is important that a portion of the CDBG funds be made available for the following uses:

- Providing the non-federal match required for repairing primary and secondary school facilities and other public (state and local) buildings, non-federal roads, airports, transit systems, ports, wastewater treatment systems, public water systems, and other state and local facilities;
- Providing funds to cover repairs to public infrastructure that are not covered by the FEMA PA Program (e.g., underinsured buildings, existing damage exposed by the storm, bringing buildings up to code);
- Providing the non-federal match for Hazard Mitigation Grant Program funds;
- Securing damaged water wells and protecting aquifers; and
- Removing debris from navigable waterways that are not eligible for FEMA clearing.

The full extent of infrastructure losses is still uncertain and the eligibility of some losses for PA grants are still being negotiated, so exact amounts for each of these items are not yet available. However, based on state agency estimates, the total funding required for providing the state and local match for FEMA PA program grants and paying 100% of ineligible costs in select areas of public interest, the total CDBG funding required for infrastructure will be near or above \$1.25 billion.

Because it is critical to the state's recovery that FEMA's PA program be utilized to the fullest extent possible, these infrastructure CDBG funds for non-FEMA match purposes will only be distributed to those entities that can clearly demonstrate that the expenditures were not eligible for the PA program.

RECOMMENDATION

It is recommended that a preliminary recommendation be made for amendment of the Action Plan to allocate up to \$950 million of CDBG funds for infrastructure repairs. This number will be revised as damage costs are confirmed and FEMA PA eligibility issues are resolved.

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